

# Public Citizen and Sierra Club Austin Energy Rate Case Priorities

Presented to the Austin City Council by  
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# Key Austin Energy Rate Case Issues

- Financial planning to retire coal-fired Fayette Power Project
- Maintaining steeply tiered residential rates with summer/winter differential
- Fairly compensating commercial customers with solar
- Full and fair funding for energy efficiency and solar programs

# Fayette: Need to Retire Austin Energy's Portion

- The coal-fired Fayette Power Project is major source of greenhouse gas emissions
  - Over 25% of Austin community-wide greenhouse gas emissions
  - 80% of Austin Energy's greenhouse gas emissions
- Austin climate goals not compatible with burning coal
  - Zero carbon emitting resources owned or controlled by Austin Energy by 2030 (Resolution 20140828-157, passed on August 28, 2014)
  - Austin Community Climate Plan: net zero community-wide greenhouse gas emissions by 2050
- Air pollution impacts
  - Contribute to asthma attacks, chronic bronchitis, heart attacks, deaths and related hospital visits
  - Costs attributable to Fayette added up to \$55.5 in 2012 (Clean Air Task Force)
- Water use
  - Fayette requires over 5 billion gallons of water to operate

# Fayette: Existing Policy on Retirement

- Austin Energy Resource, Generation and Climate Protection Plan to 2025 (adopted by Austin City Council on December 11, 2014)
  - Fayette to be retired in 2023
  - Remaining debt to be paid off at the end of 2022
  - Cash reserve fund for Fayette debt repayment to be established and funded through annual budgeting in advance of 2022
  - Austin Energy will negotiate with LCRA to gain agreement to retire units 1 and 2 or full control of one unit

# Fayette: Financial Situation

- \$218.6 million will be needed to repay all remaining debt linked to Austin Energy's portion of the Fayette Power Project in November 2022
  - \$143.3 million in remaining principal
  - \$75.3 million in future interest payments
- 6 fiscal years remaining to save (FY 2017 – FY 2022)
  - \$36.4 million if cost divided equally between 6 fiscal years and no earnings accrued on money while in reserve fund
  - Compressing costs into fewer years will increase impact on rates
- 2% affordability goal not a barrier because rate decreases proposed
  - Impartial Hearing Examiner recommendations identify over \$60 million in revenue requirement reductions
  - Full funding for Fayette debt repayment and Austin Energy proposed rate decreases to all customer classes accommodated with Impartial Hearing Examiner revenue reductions

# Fayette: Community Support for Financing Retirement

- Joint Sustainability Committee resolution (July 27, 2016)
- Signatories to joint letter to Council
  - Public Citizen
  - Sierra Club
  - Austin Neighborhoods Council Executive Committee
  - League of Women Voters
  - Texas Campaign for the Environment
  - Clean Water Action
  - Climate Buddies
  - Texas Drought Project
  - Sustainable Energy and Economic Development (SEED) Coalition
  - Faith and Energy Action Team (FEAT)
  - Environment Texas
  - Texas Solar Energy Society (TXSES)
  - Solar Austin

# Tiered Residential Rates

- Austin Energy proposal for residential customers
  - Increases rates for those who use the least, while decreasing rates for those who use the most
  - Replace seasonal tiered rates with seasonal Power Supply Adjustment (PSA) fee
- Austin Energy-sponsored study on existing tiered rates (completed in 2015)
  - Working well to encourage energy conservation
  - Conservation signal improves with time
- Austin Energy residential rate proposals not aligned with policy to reduce electric consumption
  - Payback time would be lengthened for energy efficiency investments for those using in higher tiers (these are key targets)
  - Seasonal PSA would be less predictable than seasonal tiered rates
  - Elimination of summer tiered rates would lengthen payback times for energy efficiency investments
- No study conducted to support flattening rates or switching to seasonal PSA
- Our proposal:
  - Apply any changes to residential rates proportionally to each tier
  - Maintain seasonal base rates

# Value of Solar (VoS) for Commercial Customers

- Value of Solar tariff is a formula-based method for fairly compensating solar customers for energy produced (separate from incentives)
  - Customer pays for all energy used
  - Customer receives bill credit for all energy produced
  - Currently only available to residential customers
- Performance-based incentives (PBI) being phased out for commercial customers
- Net metering only available for smallest commercial solar installations (20 kilowatts or less)
- Our proposal: Extend Value of Solar to commercial customers



# Energy Efficiency Services (EES) Fee

- Fee should be charged consistently on a per kilowatt-hour basis
  - All customers benefit from energy efficiency and solar programs (including those who don't participate in them) because expensive power purchases and infrastructure investments are avoided
  - Austin Energy's new proposal shifts cost to residential customers
- EES fee should be set high enough to fully fund all energy efficiency and solar programs
  - Reducing fee results in fewer dollars per customer because customer numbers are increasing
  - Need to expand programs for low income customers and renters should be considered

# Questions?

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